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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-94614; File No. SR-MEMX-2022-03]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Exchange's Fee Schedule to Adopt Market Data Fees

April 5, 2022

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 24, 2022, MEMX LLC (“MEMX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to amend the Exchange's fee schedule applicable to Members³ and non-Members (the “Fee Schedule”) pursuant to Exchange Rules 15.1(a) and (c). The Exchange proposes to implement the changes to the Fee Schedule pursuant to this proposal on April 1, 2022. The text of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Rule 1.5(p).

proposed rule change is provided in Exhibit 5.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

The purpose of the proposed rule change is to amend the Fee Schedule to adopt fees the Exchange will charge to Members and non-Members for each of its three proprietary market data feeds, namely MEMOIR Depth, MEMOIR Top, and MEMOIR Last Sale (collectively, the "Exchange Data Feeds"). As set forth below, the Exchange believes that the proposed fees are fair and reasonable and has based its proposal on the fact that competitive forces exist with respect to the Exchange Data Feeds, a comparison to competitor pricing, as well as a cost analysis intended to provide transparency to the Commission and to the industry at large. The Exchange is proposing to implement the proposed fees on April 1, 2022.

Before setting forth the additional details regarding the existence of competitive forces, the comparison to competitor pricing and the Exchange's cost analysis for transparency purposes, immediately below is a description of the proposed fees.

Proposed Market Data Pricing

The Exchange offers three separate data feeds to subscribers – MEMOIR Depth, MEMOIR Top and MEMOIR Last Sale. The proposed pricing for each of these products is set forth below.

MEMOIR Depth

The MEMOIR Depth feed is a MEMX-only market data feed that contains all displayed orders for securities trading on the Exchange (i.e., top and depth-of-book order data), order executions (i.e., last sale data), order cancellations, order modifications, order identification numbers, and administrative messages.⁴ The Exchange proposes to charge each of the fees set forth below for MEMOIR Depth.

1. Internal Distribution Fee. For the receipt of access to the MEMOIR Depth feed, the Exchange proposes to charge \$1,500 per month. This proposed access fee would be charged to any data recipient that receives a data feed of the MEMOIR Depth feed for purposes of internal distribution (i.e., an “Internal Distributor”). The Exchange proposes to define an Internal Distributor as “a Distributor that receives an Exchange Data product and then distributes that data to one or more data recipients within the Distributor’s own organization.”⁵ The proposed access fee for internal distribution will be charged only once per month per subscribing entity (“Firm”). The Exchange notes that it has proposed to use the phrase “own organization” in the

⁴ See MEMX Rule 13.8(a).

⁵ See Market Data Definitions under the proposed MEMX Fee Schedule. The Exchange also proposes to adopt a definition for “Distributor”, which would mean any entity that receives an Exchange Data product directly from the Exchange or indirectly through another entity and then distributes internally or externally to a third party.

definition of Internal Distributor and External Distributor because a Firm will be permitted to share data received from an Exchange Data product to other legal entities affiliated with the Firm that have been disclosed to the Exchange without such distribution being considered external to a third party. For instance, if a company has multiple affiliated broker-dealers under the same holding company, that company could have one of the broker-dealers or a non-broker-dealer affiliate subscribe to an Exchange Data product and then share the data with other affiliates that have a need for the data. This sharing with affiliates would not be considered external distribution to a third party but instead would be considered internal distribution to data recipients within the Distributor's own organization.

2. External Distribution Fee. For redistribution of the MEMOIR Depth feed, the Exchange proposes to establish an access fee of \$2,500 per month. The proposed redistribution fee would be charged to any External Distributor of the MEMOIR Depth feed, which would be defined to mean "a Distributor that receives an Exchange Data product and then distributes that data to a third party or one or more data recipients outside the Distributor's own organization."⁶ The proposed access fee for external distribution will be charged only once per month per Firm. As noted above, while a Firm will be permitted to share data received from an Exchange Data product to other legal entities affiliated with the Firm that have been disclosed to the Exchange without such distribution being considered external to a third party, if a Firm

⁶ See Market Data Definitions under the proposed MEMX Fee Schedule.

distributes data received from an Exchange Data product to an unaffiliated third party that would be considered distribution to data recipients outside the Distributor's own organization and the access fee for external distribution would apply.

3. Non-Display Use Fees. The Exchange proposes to establish separate non-display fees for usage by Trading Platforms and other Users (i.e., not by Trading Platforms).⁷ Non-Display Usage would be defined to mean “any method of accessing an Exchange Data product that involves access or use by a machine or automated device without access or use of a display by a natural person or persons.”⁸ For Non-Display Usage of the MEMOIR Depth feed not by Trading Platforms, the Exchange proposes to establish a fee of \$1,500 per month.⁹ For Non-Display Usage of the MEMOIR Depth feed by Trading Platforms, the Exchange proposes to establish a fee of \$4,000 per month. The proposed fees for Non-Display Usage will be charged only once per category

⁷ The Exchange proposes to define a Trading Platform as “any execution platform operated as or by a registered National Securities Exchange (as defined in Section 3(a)(1) of the Exchange Act), an Alternative Trading System (as defined in Rule 300(a) of Regulation ATS), or an Electronic Communications Network (as defined in Rule 600(b)(23) of Regulation NMS).” See Market Data Definitions under the proposed MEMX Fee Schedule.

⁸ See Market Data Definitions under the proposed MEMX Fee Schedule.

⁹ Non-Display Usage not by Trading Platforms would include trading uses such as high frequency or algorithmic trading as well as any trading in any asset class, automated order or quote generation and/or order pegging, price referencing for smart order routing, operations control programs, investment analysis, order verification, surveillance programs, risk management, compliance, and portfolio management.

per Firm.¹⁰ In other words, with respect to Non-Display Usage Fees, a Firm that uses MEMOIR Depth for non-display purposes but does not operate a Trading Platform would pay \$1,500 per month, a Firm that uses MEMOIR Depth in connection with the operation of one or more Trading Platforms (but not for other purposes) would pay \$4,000 per month, and a Firm that uses MEMOIR Depth for non-display purposes other than operating a Trading Platform and for the operation of one or more Trading Platforms would pay \$5,500 per month.

4. User Fees. The Exchange proposes to charge a Professional User Fee (per User) of \$30 per month and a Non-Professional User Fee (per User) of \$3 per month. The proposed User fees would apply to each person that has access to the MEMOIR Depth feed for displayed usage. Thus, each Distributor's count will include every individual that accesses the data regardless of the purpose for which the individual uses the data. Internal Distributors and External Distributors of the MEMX Depth feed must report all Professional and Non-Professional Users in accordance with the following:

- In connection with a Distributor's distribution of the MEMOIR Depth feed, the Distributor must count as one User each unique User that the

¹⁰ The Exchange proposes to adopt note 1 to the proposed Market Data fees table, which would make clear to subscribers that use of the data for multiple non-display purposes or operate more than one Trading Platform would only be charged once per category per month. Thus, the footnote makes clear that each fee applicable to Non-Display Usage is charged per subscriber (e.g., a Firm) and that each of the fees represents the maximum charge per month per subscriber regardless of the number of non-display uses and/or Trading Platforms operated by the subscriber, as applicable.

Distributor has entitled to have access to the MEMOIR Depth feed.

- Distributors must report each unique individual person who receives access through multiple devices or multiple methods (e.g., a single User has multiple passwords and user identifications) as one User.
- If a Distributor entitles one or more individuals to use the same device, the Distributor must include only the individuals, and not the device, in the count. Thus, Distributors would not be required to report User device counts associated with a User's display use of the data feed.

5. Enterprise Fee. Other than the Digital Media Enterprise Fee described below, the Exchange is not proposing to adopt an Enterprise Fee for the MEMOIR Depth feed at this time.

6. Digital Media Enterprise Fee. As an alternative to User fees, a recipient Firm may purchase a monthly Digital Media Enterprise license to receive MEMOIR Depth for distribution to an unlimited number of Users for viewing via television, websites, and mobile devices for informational and non-trading purposes only. The Exchange proposes to establish a fee of \$5,000 per month for a Digital Media Enterprise license to the MEMOIR Depth feed.

MEMOIR Top

The MEMOIR Top feed is a MEMX-only market data feed that contains top of book quotations based on equity orders entered into the System.¹¹ The Exchange

¹¹ See MEMX Rule 13.8(b). The Exchange notes that it will file a separate rule proposal to modify paragraph (b) of Rule 13.8 to remove reference to execution information as included in the MEMOIR Top feed, as execution information is not presently included in such feed.

proposes to charge each of the fees set forth below for MEMOIR Top.

1. Internal Distribution Fee. For the receipt of access to the MEMOIR Top feed, the Exchange proposes to charge \$750 per month. This proposed access fee would be charged to any data recipient that receives a data feed of the MEMOIR Top feed for purposes of internal distribution (i.e., an Internal Distributor). The proposed access fee for internal distribution will be charged only once per month per Firm.
2. External Distribution Fee. For redistribution of the MEMOIR Top feed, the Exchange proposes to establish an access fee of \$2,000 per month. The proposed redistribution fee would be charged to any External Distributor of the MEMOIR Top feed. The proposed access fee for external distribution will be charged only once per month per Firm.
3. Non-Display Use Fees. The Exchange does not propose to establish non-display fees for usage by Trading Platforms or other Users with respect to MEMOIR Top.
4. User Fees. The Exchange proposes to charge a Professional User Fee (per User) of \$0.01 per month and a Non-Professional User Fee (per User) of \$0.01 per month. The proposed User fees would apply to each person that has access to the MEMOIR Top feed that is provided by an External Distributor for displayed usage. The Exchange does not propose any per User fees for internal distribution of the MEMOIR Top feed. Each External Distributor's count will include every individual that accesses the data regardless of the purpose for which the individual uses the data. External Distributors of the

MEMOIR Top feed must report all Professional and Non-Professional Users¹² in accordance with the following:

- In connection with an External Distributor's distribution of the MEMOIR Top feed, the Distributor must count as one User each unique User that the Distributor has entitled to have access to the MEMOIR Top feed.
 - External Distributors must report each unique individual person who receives access through multiple devices or multiple methods (e.g., a single User has multiple passwords and user identifications) as one User.
 - If an External Distributor entitles one or more individuals to use the same device, the Distributor must include only the individuals, and not the device, in the count. Thus, Distributors would not be required to report User device counts associated with a User's display use of the data feed.
5. Enterprise Fee. As an alternative to User fees, a recipient Firm may purchase a monthly Enterprise license to receive MEMOIR Top for distribution to an unlimited number of Professional and Non-Professional Users. The Exchange proposes to establish a fee of \$10,000 per month for an Enterprise license to the MEMOIR Top feed.
6. Digital Media Enterprise Fee. As an alternative to User fees, a recipient Firm may purchase a monthly Digital Media Enterprise license to receive MEMOIR Top for distribution to an unlimited number of Users for viewing

¹² The Exchange notes that while it is not differentiating Professional and Non-Professional Users based on fees (in that it is proposing the same fee for such Users) for this data feed, and thus will not audit Firms based on this distinction, it will request reporting of each distinct category for informational purposes.

via television, websites, and mobile devices for informational and non-trading purposes only. The Exchange proposes to establish a fee of \$2,000 per month for a Digital Media Enterprise license to the MEMOIR Top feed.

MEMOIR Last Sale

The MEMOIR Last Sale feed is a MEMX-only market data feed that contains only execution information based on equity orders entered into the System.¹³ The Exchange proposes to charge each of the fees set forth below for MEMOIR Last Sale.

1. Internal Distribution Fee. For the receipt of access to the MEMOIR Last Sale feed, the Exchange proposes to charge \$500 per month. This proposed access fee would be charged to any data recipient that receives a data feed of the MEMOIR Last Sale feed for purposes of internal distribution (i.e., an Internal Distributor). The proposed access fee for internal distribution will be charged only once per month per Firm.
2. External Distribution Fee. For redistribution of the MEMOIR Last Sale feed, the Exchange proposes to establish an access fee of \$2,000 per month. The proposed redistribution fee would be charged to any External Distributor of the MEMOIR Last Sale feed. The proposed access fee for external distribution will be charged only once per month per Firm.
3. Non-Display Use Fees. The Exchange does not propose to establish separate non-display fees for usage by Trading Platforms or other Users with respect to MEMOIR Last Sale.
4. User Fees. The Exchange proposes to charge a Professional User Fee (per

¹³ See MEMX Rule 13.8(c).

User) of \$0.01 per month and a Non-Professional User Fee (per User) of \$0.01 per month. The proposed User fees would apply to each person that has access to the MEMOIR Last Sale feed that is provided by an External Distributor for displayed usage. The Exchange does not propose any per User fees for internal distribution of the MEMOIR Last Sale feed. Each External Distributor's count will include every individual that accesses the data regardless of the purpose for which the individual uses the data. External Distributors of the MEMOIR Last Sale feed must report all Professional and Non-Professional Users¹⁴ in accordance with the following:

- In connection with an External Distributor's distribution of the MEMOIR Last Sale feed, the Distributor must count as one User each unique User that the Distributor has entitled to have access to the MEMOIR Last Sale feed.
- External Distributors must report each unique individual person who receives access through multiple devices or multiple methods (e.g., a single User has multiple passwords and user identifications) as one User.
- If an External Distributor entitles one or more individuals to use the same device, the Distributor must include only the individuals, and not the device, in the count. Thus, Distributors would not be required to report User device counts associated with a User's display use of the data feed.

5. Enterprise Fee. As an alternative to User fees, a recipient Firm may purchase a monthly Enterprise license to receive MEMOIR Last Sale for distribution to

¹⁴ See supra note 12.

an unlimited number of Professional and Non-Professional Users. The Exchange proposes to establish a fee of \$10,000 per month per Firm for an Enterprise license to the MEMOIR Last Sale feed.

6. Digital Media Enterprise Fee. As an alternative to User fees, a recipient Firm may purchase a monthly Digital Media Enterprise license to receive MEMOIR Last Sale for distribution to an unlimited number of Users for viewing via television, websites, and mobile devices for informational and non-trading purposes only. The Exchange proposes to establish a fee of \$2,000 per month per Firm for a Digital Media Enterprise license to the MEMOIR Last Sale feed.

Additional Discussion – Competitive Forces

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁵ As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”¹⁶ Indeed, equity trading is

¹⁵ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37495, 37499 (June 29, 2005) (S7-10-04) (Final Rule) (“Regulation NMS Adopting Release”).

¹⁶ See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7-05-18) (Transaction Fee Pilot for NMS Stocks Final Rule) (“Transaction Fee Pilot”).

currently dispersed across 16 exchanges,¹⁷ 31 alternative trading systems,¹⁸ and numerous broker-dealer internalizers and wholesalers, all competing for order flow.

The recent growth of MEMX's market share demonstrates the competitive marketplace in which the Exchange operates. The Exchange launched in September 2020 and slowly grew over the next several months as it completed its staged rollout intended to ensure market stability. In January 2021, the Exchange averaged approximately 0.6% of consolidated trading volume.¹⁹ The Exchange experienced significant growth every month from February 2021 to December 2021 and ended 2021 with market share of approximately 4.2% of consolidated volume; MEMX maintained a similar market share percentage in January of 2022, ending the month with 4.2% market share.²⁰

As the Exchange's transaction market share has increased, so has the value of its market data. In addition to achieving over 4% of consolidated volume, the Exchange's NBBO Quote Market Share (i.e., the notional value displayed at the inside national best bid or offer, or "NBBO", as a percentage of overall notional value at the NBBO) is comparable to that of Cboe BZX Exchange, Inc. ("BZX") and the New York Stock

¹⁷ See Cboe Global Markets, U.S. Equities Market Volume Summary, available at: http://markets.cboe.com/us/equities/market_share/. See generally <https://www.sec.gov/fast-answers/divisionsmarketregmrexchangesshtml.html>.

¹⁸ See FINRA ATS Transparency Data, available at <https://otctransparency.finra.org/otctransparency/AtsData>. A list of alternative trading systems registered with the Commission is available at: <https://www.sec.gov/foia/docs/atlist.htm>.

¹⁹ Market share percentage calculated as of February 1, 2022. The Exchange receives and processes data made available through consolidated data feeds (i.e., CTS and UTDF).

²⁰ See id.

Exchange (“NYSE”), and higher than that of Cboe EDGX Exchange. Inc.²¹ The Exchange determined the level of the fees to charge for the Exchange Data Feeds based on the value of the Exchange’s market data as well as the cost analysis described later in this filing. As noted above, over a 16-month period, MEMX has grown from 0% to over 4% market share of consolidated trading volume. During that same period, the Exchange has had a steady increase in the number of subscribers to Exchange Data Feeds.

As a new entrant into the exchange industry, the Exchange is particularly subject to competitive forces. While the Exchange has been able to rapidly grow its market share since its launch in September 2020, MEMX operates only a single U.S. equities exchange with market share that remains significantly lower than the market share of the largest exchange groups. As noted above, MEMX currently does not charge fees for market data provided by the Exchange. The objective of this approach was to eliminate any fee-based barriers for Members when MEMX launched as a national securities exchange in 2020, which the Exchange believes has been helpful in its ability to attract order flow as a new exchange. The Exchange also has not charged for market data because MEMX believes that any exchange should first deliver meaningful value to Members and other market participants before charging fees for its products and services. The Exchange believes that its proposed approach to market data fees is reasonable based on the existence of competition, a comparison to competitors and the cost analysis presented below.

²¹ See Cboe Global Markets NBBO Quote Market Share Statistics, available at: https://www.cboe.com/us/equities/market_statistics/. In February 2022, NBBO Quote Market Share of the largest six equities exchanges was as follows: NYSE Arca 18.5%, Nasdaq 17.32%, NYSE 12.6%, BZX 11.02%, MEMX 10.14%, EDGX 8.71%. The remaining ten equities exchanges have NBBO Quote Market Share below 5%.

The Exchange is not required to make the Exchange Data Feeds available or to offer any specific pricing alternatives to any customers, nor is any firm required to purchase the Exchange Data Feeds. Firms that choose to subscribe to the Exchange Data Feeds do so for the primary goals of using it to increase their revenues, reduce their expenses, and in some instances to compete directly with the Exchange (including for order flow). Those firms are able to determine for themselves whether or not the Exchange Data Feeds or any other similar products are attractively priced.

Because the Exchange Data Feeds have not been previously subject to fees, the Exchange does not know the full impact of the proposed fees on current data recipients because subscribers may choose to reduce or eliminate their use of MEMX data. The Exchange anticipates that there might be data recipients of the Exchange Data Feeds that subscribe only because they are free and might choose to discontinue using the products once fees are implemented. A data recipient that chooses to discontinue subscribing to the Exchange's Data Feeds may also choose to shift order flow away from the Exchange, and, given the current competitive environment, if data recipients were to both discontinue the product and shift order flow away from the Exchange, the Exchange would reevaluate the fees and potentially file a separate proposed rule change to amend its fees. In advance of implementing the proposed fees, however, the Exchange cannot estimate with precision the impact of the proposed fees on the Exchange's business or the number of subscribers to the Exchange Data Feeds.

Additional Discussion – Comparison with Other Exchanges

The proposed fee structure is not novel but is instead comparable to the fee structure currently in place for the equities exchanges operated by Cboe Global Markets,

Inc., in particular BZX.²² As noted above, in January 2022, MEMX had 4.2% market share; for that same month, BZX had 5.5% market share.²³ The Exchange is proposing fees for its Exchange Data Feeds that are similar in structure to BZX and rates that are lower in most cases than the rates data recipients pay for comparable data feeds from BZX. The Exchange notes that other competitors maintain fees applicable to market data that are considerably higher than those proposed by the Exchange, including NYSE Arca²⁴ and Nasdaq.²⁵ However, the Exchange has focused its comparison on BZX

²² See BZX Fee Schedule, available at: https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

²³ See Cboe Global Markets, U.S. Equities Market Volume Summary, available at http://markets.cboe.com/us/equities/market_share/.

²⁴ Fees for the NYSE Arca Integrated Feed, which is the comparable product to MEMOIR Depth, are \$3,000 for access (internal use) and \$3,750 for redistribution (external distribution), compared to the Exchange's proposed fees of \$1,500 and \$2,500, respectively. In addition, for its Integrated Feed, NYSE Arca charges for three different categories of non-display usage, each of which is \$10,500 and each of which can be charged to the same firm more than one time (e.g., a customer operating a Trading Platform would pay \$10,500 compared to the Exchange's proposed fee of \$4,000 but would also pay for each Trading Platform, up to three, if they operate more than one, instead of the single fee proposed by the Exchange; if that customer also uses the data for the other categories of non-display usage they would also pay \$10,500 for each other category of usage, whereas the Exchange would only charge \$1,500 for any non-display usage other than operating a Trading Platform). Finally, the NYSE Arca Integrated Feed user fee for pro devices is \$60 compared to the proposed Professional User fee of \$30 for MEMOIR Depth and the NYSE Arca Integrated user fee for non-pro devices is \$20 compared to the proposed Non-Professional User fee of \$3 for MEMOIR Depth. See NYSE Proprietary Market Data Pricing list, available at: https://www.nyse.com/publicdocs/nyse/data/NYSE_Market_Data_Pricing.pdf.

²⁵ Fees for the Nasdaq TotalView data feed, which is the comparable product to MEMOIR Depth, are \$1,500 for access (internal use) and \$3,750 for redistribution (external distribution), compared to the Exchange's proposed fees of \$1,500 and \$2,500, respectively. In addition, for TotalView, Nasdaq charges Trading Platforms \$5,000 compared to the Exchange's proposal of \$4,000, and, like NYSE Arca, charges customers per Trading Platform, up to three, if they

because it is the closest market in terms of market share and offers market data at prices lower than several other incumbent exchanges.²⁶

The fees for the BZX Depth feed—which like the MEMOIR Depth feed, includes top of book, depth of book, trades, and security status messages—consist of an internal distributor access fee of \$1,500 per month (the same as the Exchange’s proposed rate), an external distributor access fee of \$5,000 per month (two times the Exchange’s proposed rate), a non-display usage fee for non-Trading Platforms of \$2,000 per month (\$500 more than the Exchange’s proposed rate), a non-display usage fee for Trading Platforms of \$5,000 per month (\$1,000 more than the Exchange’s proposed rate), a Professional User fee (per User) of \$40 per month (\$10 more than the Exchange’s proposed rate), and a Non-Professional User fee (per User) of \$5 per month (\$2 more than the Exchange’s proposed rate).²⁷

operate more than one, instead of the single fee proposed by the Exchange. Nasdaq also requires users to report and pay usage fees for non-display access at levels of from \$375 per subscriber for smaller firms with 39 or fewer subscribers to \$75,000 per firm for a larger firm with over 250 subscribers. The Exchange does not require counting of devices or users for non-display purposes and instead has proposed flat fee of \$1,500 for non-display usage not by Trading Platforms. Finally, the Nasdaq TotalView user fee for professional subscribers is \$76 compared to the proposed Professional User fee of \$30 for MEMOIR Depth and the Nasdaq TotalView user fee for non-professional subscribers is \$15 compared to the proposed Non-Professional User fee of \$3 for MEMOIR Depth. See Nasdaq Global Data Products pricing list, available at: <http://www.nasdaqtrader.com/TraderB.aspx?id=MDDPricingALLN>.

²⁶ See supra notes 24 and 25.

²⁷ See BZX Fee Schedule, Market Data Fees, BZX Depth, available at: https://www.cboe.com/us/equities/membership/fee_schedule/bzx/. The Exchange notes that there are differences between the structure of BZX Depth fees and the proposed fees for MEMOIR Depth, including that the Exchange has proposed a Digital Media Enterprise License for MEMOIR Depth but a comparable license is not available from BZX. Additionally, BZX maintains a general enterprise license for User fees, similar to that proposed by the Exchange for MEMOIR Top

The comparisons of the MEMOIR Last Sale feed and MEMOIR Top feed to the BZX Last Sale feed and BZX Top feed, respectively, are similar in that BZX generally maintains the same fee structure proposed by the Exchange and BZX charges fees that are comparable to, but in most cases higher than, the Exchange's proposed fees. Notably, the User fees proposed by the Exchange for External Distributors of MEMOIR Last Sale and MEMOIR Top (\$0.01 for both Professional Users and Non-Professional Users) are considerably lower than those charged by BZX for BZX Top and BZX Last Sale (\$4 for Professional Users and \$0.10 for Non-Professional Users).

By charging the same low rate for all Users of MEMOIR Top and MEMOIR Last Sale the Exchange believes it is proposing a structure that is not only lower cost but that will also simplify reporting for subscribers who externally distribute these data feeds to Users, as the Exchange believes that categorization of Users as Professional and Non-Professional is not meaningful for these products and requiring such categorization would expose Firms to unnecessary audit risk of paying more for mis-categorization. However, the Exchange does not believe this is equally true for MEMOIR Depth, as most individual Users of MEMOIR Depth are likely to be Professional Users. The Exchange believes that Professional Users are more likely to benefit economically from the use of MEMOIR Depth data than Non-Professional Users, and the Exchange believes that the higher fee charged to Professional Users is reasonable and appropriate given this difference in value.

Additional Discussion – Cost Analysis

and MEMOIR Last Sale, but the Exchange has not proposed adding a general Enterprise license at this time.

In general, the Exchange believes that exchanges, in setting fees of all types, should meet very high standards of transparency to demonstrate why each new fee or fee increase meets the Exchange Act requirements that fees be reasonable, equitably allocated, not unfairly discriminatory, and not create an undue burden on competition among members and markets. In particular, the Exchange believes that each exchange should take extra care to be able to demonstrate that these fees are based on its costs and reasonable business needs. Accordingly, in proposing to charge fees for market data, the Exchange has sought to be especially diligent in assessing those fees in a transparent way against its own aggregate costs of providing the related service, and also carefully and transparently assessing the impact on Members – both generally and in relation to other Members, i.e., to assure the fee will not create a financial burden on any participant and will not have an undue impact in particular on smaller Members and competition among Members in general. The Exchange believes that this level of diligence and transparency is called for by the requirements of Section 19(b)(1) under the Act,²⁸ and Rule 19b-4 thereunder,²⁹ with respect to the types of information self-regulatory organizations (“SROs”) should provide when filing fee changes, and Section 6(b) of the Act,³⁰ which requires, among other things, that exchange fees be reasonable and equitably allocated,³¹ not designed to permit unfair discrimination,³² and that they not impose a burden on

²⁸ 15 U.S.C. 78s(b)(1).

²⁹ 17 CFR 240.19b-4.

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(4).

³² 15 U.S.C. 78f(b)(5).

competition not necessary or appropriate in furtherance of the purposes of the Act.³³ This rule change proposal addresses those requirements, and the analysis and data in this section are designed to clearly and comprehensively show how they are met.³⁴

In October 2021, MEMX completed a study of its aggregate costs to produce market data and connectivity (the “Cost Analysis”). The Cost Analysis required a detailed analysis of MEMX’s aggregate baseline costs, including a determination and allocation of costs for core services provided by the Exchange – transactions, market data, membership services, physical connectivity, and application sessions (which provide order entry, cancellation and modification functionality, risk functionality, ability to receive drop copies, and other functionality). MEMX separately divided its costs between those costs necessary to deliver each of these core services, including infrastructure, software, human resources (i.e., personnel), and selling, general and administrative expenses (“cost drivers”). Next, MEMX applied an estimated allocation of each cost driver to each core service. By allocating segmented costs to each core service, MEMX was able to estimate by core service the potential margin it might earn based on different fee models. The Exchange notes that as a non-listing venue it has four primary sources of revenue that it can potentially use to fund its operations: transaction

³³ 15 U.S.C. 78f(b)(8).

³⁴ In 2019, Commission staff published guidance suggesting the types of information that SROs may use to demonstrate that their fee filings comply with the standards of the Exchange Act (“Fee Guidance”). While MEMX understands that the Fee Guidance does not create new legal obligations on SROs, the Fee Guidance is consistent with MEMX’s view about the type and level of transparency that exchanges should meet to demonstrate compliance with their existing obligations when they seek to charge new fees. See Staff Guidance on SRO Rule Filings Relating to Fees (May 21, 2019) available at <https://www.sec.gov/tm/staff-guidancesro-rule-filings-fees>.

fees, fees for connectivity services, membership and regulatory fees, and market data fees. Accordingly, the Exchange must cover its expenses from these four primary sources of revenue.

The Exchange recently filed to adopt fees for connectivity services, to which the Exchange allocated a monthly aggregate monthly cost of \$1,143,715.³⁵ Based on the pricing adopted by the Exchange, the Exchange estimated it would generate monthly revenue of \$1,233,750 from connectivity services (i.e., physical connections and application sessions), providing cost recovery to the Exchange for the aggregate costs of offering connectivity services plus approximately 8% margin. Thus far, fees for connectivity services have generated revenues consistent with the Exchange's estimates.

The Exchange notes that it is difficult, if not impossible, to purely split the costs of generating and producing market data and the costs associated with operation of the system that processes (and displays through market data) orders, cancellations, and transactions and performs related functions (collectively, together with market data, "Transaction Services"). Instead, because the Exchange believes its costs for providing Transaction Services, including market data, are inextricably linked, the cost analysis below and corollary margin discussion includes all Transaction Services. Through the Cost Analysis, MEMX calculated its aggregate monthly costs for providing Transaction Services, at \$2,797,265. The Exchange expects to recoup the majority of this cost from transaction fees and revenues from the public data feeds in which the Exchange participates and receives revenues (i.e., the SIPs). In order to cover operating costs and

³⁵ See Securities Exchange Act Release No. 93937 (January 10, 2022), 87 FR 2466 (January 14, 2022) (SR-MEMX-2021-22) (the "Connectivity Filing").

earn a reasonable profit on its market data, the Exchange is proposing to modify its Fee Schedule, pursuant to MEMX Rules 15.1(a) and (c), as set forth above.

The following chart details the individual line-item (monthly) costs considered by MEMX to be related to offering Transaction Services (transactions and market data) to its Members and other customers.

COSTS DRIVERS	COSTS
Human Resources	\$1,480,822
Infrastructure and Connectivity Technology (servers, switches, etc.)	\$48,480
Exchange Software and Technology Consulting	\$305,244
External Market Data Costs	\$133,266
Data Center Costs	\$65,538
Hardware and Software Licenses	\$26,478
Regulatory Costs	\$155,815
Monthly Depreciation	\$393,380
Allocated Shared Expenses	\$187,792
TOTAL	\$2,797,265

For personnel costs (Human Resources), MEMX calculated an allocation of employee time for employees whose functions include directly providing services necessary to offer Transaction Services, including performance thereof, as well as personnel with ancillary functions related to establishing and providing such services (such as information security and finance personnel). The Human Resources cost was

calculated using a blended rate of compensation reflecting salary, equity and bonus compensation, benefits, payroll taxes, and 401(k) matching contributions. The Infrastructure and Connectivity Technology cost includes servers, switches and related hardware required to provide physical access to the Exchange, some of which is owned by the Exchange and some of which is leased by the Exchange in order to allow efficient periodic technology refreshes. Exchange Software and Technology Consulting includes all costs for third party software necessary to offer Transaction Services as well as third party consultants used to help test and review systems necessary to offering Transaction Services. External Market Data Costs includes fees paid to other exchanges and the SIPs under the consolidated plans to obtain data necessary to provide Transaction Services. Data Center costs includes an allocation of the costs the Exchange incurs to provide Transaction Services in the third-party data centers where the Exchange maintains its equipment as well as related costs (the Exchange does not own the Primary Data Center or the Secondary Data Center, but instead, leases space in data centers operated by third parties). Hardware and Software Licenses includes hardware and software licenses used to operate and monitor physical assets necessary to offer Transaction Services. All physical assets and software, which also includes assets used for testing and monitoring of Exchange infrastructure, were valued at cost, depreciated or leased over periods ranging from three to five years. Finally, a limited portion of general shared expenses was allocated to overall Transaction Services costs as without these general shared costs the Exchange would not be able to operate in the manner that it does and provide Transaction Services. The costs included in general shared expenses include general expenses of the Exchange, including office space and office expenses, utilities, recruiting

and training, marketing and advertising costs, professional fees for legal, tax and accounting services, and telecommunications costs.

In conducting its Cost Analysis, the Exchange did not allocate any of its expenses in full to any core service and did not double-count any expenses. Instead, as described above, the Exchange allocated applicable cost drivers across its core services and used the same Cost Analysis to form the basis of the Connectivity Filing and this filing, proposing fees for Exchange Data Feeds. For instance, as described in the Connectivity Filing, in calculating the Human Resources expenses to be allocated to physical connections, the Exchange allocated network infrastructure personnel with a high percentage of the cost of such personnel (75%) given their focus on functions necessary to provide physical connections. The salaries of those same personnel were allocated only 2.5% to application sessions and the remaining 22.5% was allocated to transactions and market data.

In total, again as explained in the Connectivity Filing, the Exchange allocated 13.8% of its personnel costs to providing physical connections and 7.7% of its personnel costs to providing application sessions, for a total allocation of 21.5% Human Resources expense to provide connectivity services. In turn, the Exchange allocated the remaining 78.5% of its Human Resources expense to Membership (less than 1%) and Transaction Services (77.5%). Thus, again, the Exchange's allocations of cost across core services were based on real costs of operating the Exchange and were not double-counted across the core services or their associated revenue streams.

As another example, the Exchange allocated depreciation expense to all core services, including Transaction Services, but in different amounts. The Exchange

believes it is reasonable to allocate the identified portion of such expense because such expense includes the actual cost of the computer equipment, such as dedicated servers, computers, laptops, monitors, information security appliances and storage, and network switching infrastructure equipment, including switches and taps that were purchased to operate and support the Exchange. Without this equipment, the Exchange would not be able to operate the Exchange and provide Transaction Services to its Members and non-Members and their customers. The Exchange did not allocate all of the depreciation and amortization expense toward the cost of providing Transaction Services, but instead allocated approximately 73% of the Exchange's overall depreciation and amortization expense to Transaction Services.

The Exchange notes that the Cost Analysis was based on the Exchange's first year of operations and projections for the next year. As such, the Exchange believes that its costs will remain relatively similar in future years. It is possible however that such costs will either decrease or increase. To the extent the Exchange sees growth in use of market data or any other core service it will receive additional revenue to offset future cost increases. However, if use of core services, including market data subscriptions is static or decreases, the Exchange might not realize the revenue that it anticipates or needs in order to cover applicable costs. Accordingly, the Exchange commits to periodically review the costs applicable to providing Transaction Services, including the Exchange Data Feeds, and to propose changes to its fees as appropriate.

The proposed fees for Exchange Data Feeds are designed to permit the Exchange to cover the costs allocated to providing Transaction Services with a markup that the Exchange believes is modest (approximately 17%), which would also account for costs

related to Transaction Services that the Exchange has previously borne completely on its own and help fund future expenditures (increased costs, improvements, etc.). The Exchange also reiterates that the Exchange has not previously charged any fees for Exchange Data Feeds and its allocation of costs to Exchange Data Feeds was part of a holistic allocation that also allocated costs to other core services without double-counting any expenses.

Looking at the Exchange's operations holistically, the total monthly costs to the Exchange for offering core services is \$3,954,537. The Exchange anticipates that the proposed fees for Exchange Data Feeds will generate between \$250,000 and \$500,000, depending on how many current subscribers stop subscribing to the Exchange Data Feeds once the Exchange commences billing. Incorporating this range into the Exchange's overall projected revenue, the Exchange anticipates monthly revenue ranging from \$4,296,950 to \$4,546,950 from all sources (i.e., connectivity fees and membership fees that were introduced in January 2022, transaction fees, and revenue from market data, both through the fees proposed herein and through the revenue received from the SIPs). As such, applying the Exchange's holistic Cost Analysis to a holistic view of anticipated revenues, the Exchange would earn approximately 8.5% to 15% margin on its operations as a whole. The Exchange believes that this amount is reasonable.

The Exchange notes that its revenue estimates are based on projections across all potential revenue streams and will only be realized to the extent such revenue streams actually produce the revenue estimated. As a new entrant to the hyper-competitive exchange environment, and an exchange focused on driving competition, the Exchange does not yet know whether such expectations will be realized. For instance, in order to

generate the revenue expected from the Exchange Data Feeds, the Exchange will have to be successful in retaining existing subscribers and obtaining new subscribers to the Exchange Data Feeds. Similarly, the Exchange will have to be successful in retaining a positive net capture on transaction fees in order to realize the anticipated revenue from transaction pricing.

To the extent the Exchange is successful in gaining market share, improving its net capture on transaction fees, encouraging new subscribers to subscribe to the Exchange Data Feeds, and other developments that would help to increase Exchange revenues, the Exchange does not believe it should be penalized for such success. The Exchange like other exchanges is, after all, a for-profit business. Accordingly, while the Exchange believes in transparency around costs and potential margins, the Exchange does not believe that these estimates should form the sole basis of whether or not a proposed fee is reasonable or can be adopted. Instead, the Exchange believes that the information should be used solely to confirm that an Exchange is not earning supra-competitive profits, and the Exchange believes its Cost Analysis and related projections demonstrate this fact.

As described above, there is no requirement that any Firm subscribe to a particular Exchange Data Feed or any Exchange Data Feed whatsoever, but instead, a Firm may choose to maintain subscriptions to those Exchange Data Feeds they deem appropriate based on their business model. The proposed fee will not apply differently based upon the size or type of Firm, but rather based upon the subscriptions a Firm has to Exchange Data Feeds and their use thereof, which are in turn based upon factors deemed relevant by each Firm.

As discussed above, the proposed fees for connectivity services do not by design apply differently to different types or sizes of Members. As discussed in more detail in the Statutory Basis section, the Exchange believes that the likelihood of higher fees for certain Firms subscribing to Exchange Data Feeds than others is not unfairly discriminatory because it is based on objective differences in usage of Exchange Data Feeds among different Firms, which are still ultimately in the control of any particular Firm.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)³⁶ of the Act in general, and furthers the objectives of Section 6(b)(4)³⁷ of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Additionally, the Exchange believes that the proposed fees are consistent with the objectives of Section 6(b)(5)³⁸ of the Act in that they are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to a free and open market and national market system, and, in general, to protect investors and the public interest, and, particularly, are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

³⁶ 15 U.S.C. 78f.

³⁷ 15 U.S.C. 78f(b)(4).

³⁸ 15 U.S.C. 78f(b)(5).

The Proposed Rule Change Is Reasonable

In adopting Regulation NMS, the Commission granted SROs and broker-dealers increased authority and flexibility to offer new and unique market data to the public. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”³⁹

With respect to market data, the decision of the United States Court of Appeals for the District of Columbia Circuit in NetCoalition v. SEC upheld the Commission’s reliance on the existence of competitive market mechanisms to evaluate the reasonableness and fairness of fees for proprietary market data:

In fact, the legislative history indicates that the Congress intended that the market system “evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed” and that the SEC wield its regulatory power “in those situations where competition may not be sufficient,” such as in the creation of a “consolidated transactional reporting system.”⁴⁰

³⁹ See Regulation NMS Adopting Release, 70 FR 37495, at 37499.

⁴⁰ NetCoalition v. SEC, 615 F.3d 525, 535 (D.C. Cir. 2010) (“NetCoalition I”) (quoting H.R. Rep. No. 94–229 at 92 (1975), as reprinted in 1975 U.S.C.C.A.N. 323).

The court agreed with the Commission’s conclusion that “Congress intended that ‘competitive forces should dictate the services and practices that constitute the U.S. national market system for trading equity securities.’”⁴¹

In this competitive marketplace, the Exchange’s executed trading volume has grown from 0% market share to over 4% market share in less than one and a half years and the Exchange believes that it is reasonable to begin charging fees for the Exchange Data Feeds. One of the primary objectives of MEMX is to provide competition and to reduce fixed costs imposed upon the industry. Consistent with this objective, the Exchange believes that this proposal reflects a simple, competitive, reasonable, and equitable pricing structure designed to permit the Exchange to cover certain fixed costs that it incurs for providing market data, with fees that are discounted when compared to products and services offered by competitors.⁴²

The Exchange is not aware of any evidence that a market share of approximately 4% provides the Exchange with supra-competitive pricing power because, as shown elsewhere, market participants are not required to subscribe to the Exchange Data Feeds, and if they do so, have a choice with respect to the Exchange Data Feed(s) to which they will subscribe. Separately, the Exchange is not aware of any reason why market participants could not simply unsubscribe or choose not to subscribe to Exchange Data Feeds if the Exchange were to establish unreasonable and uncompetitive prices for its Exchange Data Feeds.

With regard to reasonableness, the Exchange understands that the Commission

⁴¹ Id. at 535.

⁴² See supra notes 24-25; see supra note 27 and accompanying text.

has traditionally taken a market-based approach to examine whether the SRO making the proposal was subject to significant competitive forces in setting the terms of the proposal. In looking at this question, the Commission considers whether the SRO has demonstrated in its filing that: (i) there are reasonable substitutes for the product or service; (ii) “platform” competition constrains the ability to set the fee; and/or (iii) revenue and cost analysis shows the fee would not result in the SRO taking supra-competitive profits. If the SRO demonstrates that the fee is subject to significant competitive forces, the Commission will next consider whether there is any substantial countervailing basis to suggest the fee’s terms fail to meet one or more standards under the Exchange Act. If the filing fails to demonstrate that the fee is constrained by competitive forces, the SRO must provide a substantial basis, other than competition, to show that it is consistent with the Exchange Act, which may include production of relevant revenue and cost data pertaining to the product or service.

The Exchange has not previously charged fees for market data, so it does not have MEMX-specific data to support whether or not competitive forces would constrain its ability to set fees for the Exchange Data Feeds. However, the Exchange believes that competitive forces are in effect and that if the proposed fees for the Exchange Data Feeds were unreasonable that the Exchange would lose current or prospective Members and market share. The Exchange does not yet have comprehensive data of the impact of the proposed fees and will not have such data until the fees are imposed. Further, the Exchange has conducted a comprehensive Cost Analysis to determine the reasonability of its proposed fees, including that the Exchange will not take supra-competitive profits.

1. The Proposed Fees Are Constrained by Significant Competitive Forces

a. Exchange Market Data Is Sold in a Competitive Market

In 2018, Charles M. Jones, the Robert W. Lear Professor of Finance and Economics at the Columbia University School of Business, conducted an analysis of the market for equity market data in the United States. He canvassed the demand for both consolidated and exchange proprietary market data products and the uses to which those products were put by market participants, and reported his conclusions in a paper annexed hereto.⁴³ Among other things, Professor Jones concluded that:

- “The market [for exchange market data] is characterized by robust competition: exchanges compete with each other in selling proprietary market data products. They also compete with consolidated data feeds and with data provided by alternative trading systems (‘ATs’). Barriers to entry are very low, so existing exchanges must also take into account competition from new entrants, who generally try to build market share by offering their proprietary market data products for free for some period of time [as MEMX has done with its Exchange Data Feeds].”⁴⁴
- “Although there are regulatory requirements for some market participants to use consolidated data products, there is no requirement for market participants to purchase any proprietary market data product for regulatory purposes.”⁴⁵

⁴³ See Exhibit 3A, Charles M. Jones, Understanding the Market for U.S. Equity Market Data, August 31, 2018 (hereinafter “Jones Paper”).

⁴⁴ Id. at 2.

⁴⁵ Id.

- “There are a variety of data products, and consumers of equity market data choose among them based on their needs. Like most producers, exchanges offer a variety of market data products at different price levels. Advanced proprietary market data products provide greater value to those who subscribe. As in any other market, each potential subscriber takes the features and prices of available products into account in choosing what market data products to buy based on its business model.”⁴⁶
- “For proprietary exchange data feeds, the main question is whether there is a competitive market for proprietary market data. More than 40 active exchanges and alternative trading systems compete vigorously in both the market for order flow and in the market for market data. The two are closely linked: an exchange needs to consider the negative impact on its order flow if it raises the price of its market data. Furthermore, new entrants have been frequent over the past 10 years or so, and these venues often give market data away for free, [again, as MEMX has done with its Exchange Data Feeds] serving as a check on pricing by more established exchanges. These are all the standard hallmarks of a competitive market.”⁴⁷

Professor Jones’ conclusions are consistent with the Exchange’s view of, and experience in, the competitive marketplace for exchanges, including with respect to proprietary data feeds, as a recent entrant to the market.

b. Exchange Market Data Fees Are Constrained by Competition

⁴⁶ Id.

⁴⁷ Id. at 39-40.

As the D.C. Circuit recognized in NetCoalition I, “[n]o one disputes that competition for order flow is fierce.”⁴⁸ The court further noted that “no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers,” and that an exchange “must compete vigorously for order flow to maintain its share of trading volume.”⁴⁹

Similarly, the Commission itself has recognized that the market for trading services in NMS stocks has become “more fragmented and competitive.”⁵⁰ The Commission’s Division of Trading and Markets has also recognized that with so many “operating equities exchanges and dozens of ATSS, there is vigorous price competition among the U.S. equity markets and, as a result, [transaction] fees are tailored and frequently modified to attract particular types of order flow, some of which is highly fluid and price sensitive.”⁵¹ Indeed, as noted above, equity trading is currently dispersed across 16 exchanges, 31 alternative trading systems, and numerous broker-dealer internalizers and wholesalers, all competing for order flow.

Further, low barriers to entry mean that new exchanges like the Exchange may rapidly enter the market and offer competition with the Exchange. Due to the ready availability of substitutes and the low cost to move order flow to those substitute trading venues, an exchange setting market data fees that are not at competitive levels would

⁴⁸ NetCoalition I, 615 F.3d at 544 (internal quotation omitted).

⁴⁹ Id.

⁵⁰ See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7-05-18).

⁵¹ Commission Division of Trading and Markets, Memorandum to EMSAC, dated October 20, 2015, available here: <https://www.sec.gov/spotlight/emsac/memo-maker-taker-feeson-equities-exchanges.pdf>.

expect to quickly lose business to competitors with more attractive pricing.⁵² Although the various exchanges may differ in their strategies for pricing their market data products and their transaction fees for trades—with some offering market data for free along with higher trading costs, and others charging more for market data and comparatively less for trading—all exchanges compete for the same pool of customers and must work to demonstrate to such customers that pricing is reasonable. The Exchange believes that the best way to do this is to provide transparency into the costs of producing and maintaining its services.

Commission staff noted in its Fee Guidance that, as an initial step in assessing the reasonableness of a fee, staff considers whether the fee is constrained by significant competitive forces. To determine whether a proposed fee is constrained by significant competitive forces, staff has said that it considers whether the evidence demonstrates that there are reasonable substitutes for the product or service that is the subject of a proposed fee. As noted elsewhere in this proposal, there is no regulatory requirement that any market participant subscribe to any Exchange Data Feeds or a particular Exchange Data Feed.

The Exchange believes the proposed fees are reasonable because in setting them, the Exchange is constrained by the availability of numerous competitors offering market data products and trading services. Such substitutes need not be identical, but only substantially similar to the product at hand. More specifically, in setting fees for the Exchange Data Feeds, the Exchange is constrained by the fact that, if its pricing is unattractive to customers, customers have their pick of a large number of alternative

⁵² See Jones Paper at 11.

execution venues to use instead of the Exchange. The Exchange believes that it has considered all relevant factors and has not considered irrelevant factors in order to establish reasonable fees. The existence of competition ensures that the Exchange cannot set unreasonable market data fees without suffering the negative effects of that decision in the fiercely competitive market in which it operates.

c. Exchange Data Feeds are Optional Market Data Products

Subscribing to the Exchange Data Feeds is entirely optional. The Exchange is not required to make the Exchange Data Feeds available to any customers, nor is any customer required to purchase any Exchange Data Feed. Unlike some other data products (e.g., the consolidated quotation and last-sale information feeds) that firms are required to purchase in order to fulfill regulatory obligations,⁵³ a customer's decision whether to purchase any Exchange Data Feed is entirely discretionary. Most Firms that choose to subscribe to an Exchange Data Feed do so for the primary goals of using it to increase their revenues, reduce their expenses, and in some instances to compete directly with the Exchange for order flow. Such firms are able to determine for themselves whether a particular Exchange Data Feed is necessary for their business needs, and if so, whether or not it is attractively priced. If an Exchange Data Feed does not provide sufficient value to a Firm based on the uses such Firm may have for it, such Firm may simply choose to

⁵³ The Exchange notes that broker-dealers are not required to purchase proprietary market data to comply with their best execution obligations. See In the Matter of the Application of Securities Industry and Financial Markets Association for Review of Actions Taken by Self-Regulatory Organizations, Release Nos. 34-72182; AP-3-15350; AP-3-15351 (May 16, 2014). Similarly, there is no requirement in Regulation NMS or any other rule that proprietary data be utilized for order routing decisions, and some competing exchanges, broker-dealers and ATSs have chosen not to do so.

conduct their business operations in ways that do not use the applicable Exchange Data Feed.⁵⁴ If they do not choose to use one or more Exchange Data Feeds, they could also choose not to direct order flow to the Exchange.

Specifically related to the Exchange Data Feed with the highest rates, the MEMOIR Depth Feed, even if a Firm determines that the fees for such feed are too high, customers can access much of the same data at lower rates by subscribing to the MEMOIR Top feed (which includes best-bid-and-offer information for the Exchange on a real-time basis) and MEMOIR Last Sale (which includes last-sale information for the Exchange on a real-time basis). MEMX top-of-book quotation information and last-sale information is also available on the consolidated SIP feeds. In this way, MEMOIR Top, MEMOIR Last Sale, and SIP data products are all substitutes for a significant portion of the data available on the MEMOIR Depth Feed, and SIP data products are also a substitute for a significant portion of data available on the MEMOIR Top and MEMOIR Last Sale feeds. Indeed, several exchange competitors of the Exchange have not subscribed to any Exchange Data Feeds for purposes of executing orders on their exchanges, order routing, and regulatory purposes,⁵⁵ even though the Exchange subscribes to and pays for their comparable market data products.⁵⁶

The only content available on the MEMOIR Depth Feed that is not available on these other products is the order-by-order look at the MEMX order book, which provides

⁵⁴ See generally Jones Paper at 8, 10-11.

⁵⁵ See, e.g., NYSE Arca Rule 7.37-E.(d), Order Execution and Routing, and BZX Rule 11.21, each of which discloses the data feeds used by each respective exchange and state that SIP products are used with respect to MEMX.

⁵⁶ See MEMX Rule 13.4, Usage of Data Feeds, which discloses that the Exchange uses proprietary data feeds for all exchanges that offer them.

information about depth-of-book on the Exchange. The Exchange has been a vocal advocate in support of the Commission’s Market Data Infrastructure Rule, which mandates the creation of a “SIP Premium” product that would include depth-of-book information on the consolidated market data feeds.⁵⁷ The Exchange has also been a vocal advocate in support of pricing new content for the consolidated market data feeds in a reasonable and competitive manner that would encourage the use of a SIP Premium product and other content to be provided via the SIPs.⁵⁸ Future products such as SIP Premium would include not only integrated depth-of-book information from MEMX, but all other exchanges as well, and would further constrain the Exchange’s ability to price any Exchange Data Feed, including MEMOIR Depth, at a supra-competitive price. However, even in the absence of such products, the Exchange believes that use of the Exchange Data Feeds is entirely optional, as described above.

Further, in the case of products that are also redistributed through market data vendors such as Bloomberg and Refinitiv, the vendors themselves provide additional price discipline for proprietary data products because they control the primary means of access to certain end users. These vendors impose price discipline based upon their business models. For example, vendors that assess a surcharge on data they sell are able to refuse to offer proprietary products that their end users do not or will not purchase in sufficient numbers. Even in the absence of fees for the Exchange Data Feeds, many major

⁵⁷ See, e.g., Letter from Anders Franzon, General Counsel, MEMX LLC, dated May 26, 2020, regarding proposed Market Data Infrastructure rule, available at: <https://www.sec.gov/comments/s7-03-20/s70320-7235183-217090.pdf>.

⁵⁸ See, e.g., Letter from Adrian Griffiths, Head of Market Structure, MEMX LLC, dated November 8, 2021, regarding proposed fees for consolidated data provided pursuant to CTA/CQ/UTP Plans, available at: <https://www.sec.gov/comments/sr-ctacq-2021-03/srctacq202103-9403088-262830.pdf>.

market data vendors have not elected to make available the Exchange Data Feeds and likely will not unless their customers request it, and customers will not elect to pay the proposed fees unless the applicable Exchange Data Feed can provide value by sufficiently increasing revenues or reducing costs to the customer's business in a manner that will offset the fees. All of these factors operate as constraints on pricing proprietary data products.

In setting the proposed fees for the Exchange Data Feeds, the Exchange considered the competitiveness of the market for proprietary data and all of the implications of that competition. As described elsewhere in this proposal, the Exchange also considered the Cost Analysis conducted by the Exchange and believes it has demonstrated that the fees will not result in any supra-competitive profit. The Exchange believes that it has considered all relevant factors and has not considered irrelevant factors in order to establish reasonable fees. The existence of alternatives to the Exchange and the continued availability of choice between different Exchange Data Feeds, other exchanges' proprietary data products, and the SIPs ensure that the Exchange cannot set unreasonable fees when vendors and subscribers can elect these alternatives or choose not to purchase a specific proprietary data product if the attendant fees are not justified by the returns that any particular vendor or data recipient would achieve through the purchase.

d. The Proposed Fees for Exchange Data Feeds will not result in Supra-competitive Profits

Commission staff previously noted that the generation of supra-competitive profits is one of several potential factors in considering whether an exchange's proposed

fees are consistent with the Act.⁵⁹ As described in the Fee Guidance, the term “supra-competitive profits” refers to profits that exceed the profits that can be obtained in a competitive market. The proposed fee structure would not result in excessive pricing or supra-competitive profits for the Exchange. The proposed fee structure is merely designed to permit the Exchange to cover the costs allocated to providing Transaction Services with a modest markup (approximately 9%-18%), which would also account for costs related to Transaction Services that the Exchange has previously borne completely on its own and help fund future expenditures (increased costs, improvements, etc.). The Exchange believes that this is fair, reasonable, and equitable. Accordingly, the Exchange believes that its proposal is consistent with Section 6(b)(4)⁶⁰ of the Act because the proposed fees will permit recovery of the Exchange’s costs and will not result in excessive pricing or supra-competitive profit.

The proposed fees for Exchange Data Feeds will allow the Exchange to cover certain costs incurred by the Exchange associated with providing and maintaining necessary hardware and other network infrastructure as well as network monitoring and support services; without such hardware, infrastructure, monitoring and support the Exchange would be unable to provide Transaction Services, including market data. The Exchange routinely works to improve the performance of the network’s hardware and software. The costs associated with maintaining and enhancing a state-of-the-art exchange network is a significant expense for the Exchange, and thus the Exchange believes that it is reasonable and appropriate to help offset those costs by adopting fees

⁵⁹ See Fee Guidance, supra note 33.

⁶⁰ 15 U.S.C. 78f(b)(4).

for the Exchange Data Feeds. As detailed above, the Exchange has four primary sources of revenue that it can potentially use to fund its operations: transaction fees, fees for connectivity services, membership and regulatory fees, and market data fees. Accordingly, the Exchange must cover its expenses from these four primary sources of revenue.

The Exchange expects to recoup the majority of its estimated aggregate monthly costs for providing Transaction Services from transaction fees and revenues from the public data feeds in which the Exchange participates and receives revenues (i.e., the SIPs). In order to cover operating costs and earn a reasonable profit on its market data, the Exchange is proposing to charge the fees described herein for the Exchange Data Feeds. In addition, this revenue will allow the Exchange to continue to offer, to enhance, and to continually refresh its infrastructure as necessary to offer a state-of-the-art trading platform. The Exchange believes that, consistent with the Act, it is appropriate to charge fees that represent a reasonable markup over cost given the other factors discussed above, including the lack of other costs to participate on the Exchange and the need for the Exchange to maintain a highly performant and stable platform to allow Members to transact with determinism.

The Exchange's Cost Analysis estimates the costs to provide Transaction Services at \$2,797,265. Based on current subscriptions to Exchange Data Feeds (but without definitive data regarding User counts) and projections related to transaction activity and volumes, the Exchange estimates it will generate monthly revenues of approximately \$250,000 to \$500,000 from the Exchange Data Feeds and between \$3,050,000 and \$3,300,000 from providing Transaction Services overall. This represents a modest profit

when compared to the cost of providing Transaction Services (approximately 9% to 18%). Further, as noted above, applying the Exchange's holistic Cost Analysis to a holistic view of anticipated revenues from all sources, the Exchange would earn approximately 8.5% to 15% margin on its operations as a whole. The Exchange believes that this amount is reasonable.

2. The Proposed Fees Are Reasonable

The specific fees that the Exchange proposes for the Exchange Data Feeds are reasonable for the following additional reasons.

Overall. The Exchange believes the proposed fees for the Exchange Data Feeds are reasonable when compared to fees for comparable products, such as the BZX Depth feed, BZX Top feed, and BZX Last Sale feed, compared to which the Exchange's proposed fees are generally lower, as well as other comparable data feeds priced significantly higher than the Exchange's proposed fees for the Exchange Data Feeds.⁶¹ Specifically with respect to the MEMOIR Depth feed, the Exchange believes that the proposed fees for such feed are reasonable because they represent not only the value of the data available from the MEMOIR Top and MEMOIR Last Sale data feeds, which have lower proposed fees, but also the value of receiving the depth-of-book data on an order-by-order basis. Finally, the Exchange believes that its Cost Analysis and holistic approach thereto demonstrates that the proposed fees for the Exchange Data Feeds would not result in supra-competitive profits.

Internal Distribution Fees. The Exchange believes that it is reasonable to charge

⁶¹ See *supra* notes 24-25; see *supra* note 27 and accompanying text.

Fees to access the Exchange Data Feeds for Internal Distribution because of the value of such data to subscribers in their profit-generating activities. The Exchange also believes that the proposed monthly Internal Distribution fees for MEMOIR Depth, MEMOIR Top, and MEMOIR Last Sale are reasonable as they are the same amounts charged by at least one other exchange of comparable size for comparable data products,⁶² and are lower than the fees charged by several other exchanges for comparable data products.⁶³

External Distribution Fees. The Exchange believes that it is reasonable to charge External Distribution fees for the Exchange Data Feeds because vendors receive value from redistributing the data in their business products provided to their customers. The Exchange believes that charging External Distribution fees is reasonable because the vendors that would be charged such fees profit by re-transmitting the Exchange's market data to their customers. These fee would be charged only once per month to each vendor account that redistributes any Exchange Data Feed, regardless of the number of customers to which that vendor redistributes the data. The Exchange also believes the proposed monthly External Distribution fee for the MEMOIR Depth Feed is reasonable because it is half the amount of the fee charged by at least one other exchange of comparable size for a comparable data product,⁶⁴ and significantly less than the amount

⁶² See BZX Fee Schedule available at https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

⁶³ See NYSE Proprietary Market Data Pricing list, available at: https://www.nyse.com/publicdocs/nyse/data/NYSE_Market_Data_Pricing.pdf; Nasdaq Global Data Products pricing list, available at: <http://www.nasdaqtrader.com/TraderB.aspx?id=MDDPricingALLN>.

⁶⁴ See BZX Fee Schedule available at https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

charged by several other exchanges for comparable data products.⁶⁵ Similarly, the Exchange believes the proposed monthly External Distribution fees for the MEMOIR TOP and MEMOIR Last Sale feeds are reasonable because they are discounted compared to same amounts charged by at least one other exchange of comparable size for comparable data products, and significantly less than the amount charged by several other exchanges for comparable data products.⁶⁶

User Fees. The Exchange believes that having separate Professional and Non-Professional User fees for the MEMOIR Depth feed is reasonable because it will make the product more affordable and result in greater availability to Professional and Non-Professional Users. Setting a modest Non-Professional User fee is reasonable because it provides an additional method for Non-Professional Users to access the Exchange Data Feeds by providing the same data that is available to Professional Users. The proposed monthly Professional User fee and monthly Non-Professional User fee are reasonable because they are lower than the fees charged by at least one other exchange of comparable size for comparable data products,⁶⁷ and significantly less than the amounts charged by several other exchanges for comparable data products.⁶⁸ The Exchange also

⁶⁵ See id.

⁶⁶ See NYSE Proprietary Market Data Pricing list, available at: https://www.nyse.com/publicdocs/nyse/data/NYSE_Market_Data_Pricing.pdf; Nasdaq Global Data Products pricing list, available at: <http://www.nasdaqtrader.com/TraderB.aspx?id=MDDPricingALLN>.

⁶⁷ See BZX Fee Schedule, available at: https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

⁶⁸ See NYSE Proprietary Market Data Pricing list, available at: https://www.nyse.com/publicdocs/nyse/data/NYSE_Market_Data_Pricing.pdf; Nasdaq Global Data Products pricing list, available at: <http://www.nasdaqtrader.com/TraderB.aspx?id=MDDPricingALLN>.

believes it is reasonable to charge the same low per User fee of \$0.01 for both Professional Users and Non-Professional Users receiving the MEMOIR Top and MEMOIR Last Sale feeds, as this is not only pricing such data at a much lower cost than other exchanges charge for comparable data feeds⁶⁹ but doing so will also simplify reporting for subscribers who externally distribute these data feeds to Users, as the Exchange believes that categorization of Users as Professional and Non-Professional is not meaningful for these products and that requiring such categorization would expose Firms to unnecessary audit risk of paying more for mis-categorization. The Exchange also believes that the proposal to require reporting of individual Users, but not devices, is reasonable as this too will eliminate unnecessary audit risk that can arise when recipients are required to apply complex counting rules such as whether or not to count devices or whether an individual accessing the same data through multiple devices should be counted once or multiple times.

Non-Display Use Fees. The Exchange believes the proposed Non-Display Usage fees for the MEMOIR Depth feed are reasonable, because they reflect the value of the data to the data recipients in their profit-generating activities and do not impose the burden of counting non-display devices.

The Exchange believes that the proposed Non-Display Usage fees reflect the significant value of the non-display data use to data recipients, which purchase such data on an entirely voluntary basis. Non-display data can be used by data recipients for a wide variety of profit-generating purposes, including proprietary and agency trading and smart order routing, as well as by data recipients that operate Trading Platforms that compete

⁶⁹ See id.

directly with the Exchange for order flow. The data also can be used for a variety of non-trading purposes that indirectly support trading, such as risk management and compliance. Although some of these non-trading uses do not directly generate revenues, they can nonetheless substantially reduce a recipient's costs by automating such functions so that they can be carried out in a more efficient and accurate manner and reduce errors and labor costs, thereby benefiting recipients. The Exchange believes that charging for non-trading uses is reasonable because data recipients can derive substantial value from such uses, for example, by automating tasks so that can be performed more quickly and accurately and less expensively than if they were performed manually.

Previously, the non-display use data pricing policies of many exchanges required customers to count, and the exchanges to audit the count of, the number of non-display devices used by a customer. As non-display use grew more prevalent and varied, however, exchanges received an increasing number of complaints about the impracticality and administrative burden associated with that approach. In response, several exchanges developed a non-display use pricing structure that does not require non-display devices to be counted or those counts to be audited, and instead categorizes different types of use. The Exchange proposes to distinguish between non-display use for the operation of a Trading Platform and other non-display use, which is similar to exchanges such as BZX and EDGX,⁷⁰ while other exchanges maintain additional

⁷⁰ See BZX Fee Schedule, available at: https://www.cboe.com/us/equities/membership/fee_schedule/bzx/; EDGX Fee Schedule, available at: https://www.cboe.com/us/equities/membership/fee_schedule/edgx/.

categories and in many cases charge multiple times for different types of non-display use or the operation of multiple Trading Platforms.⁷¹

The Exchange believes that it is reasonable to segment the fee for non-display use into these two categories. As noted above, the uses to which customers can put the MEMOIR Depth feed are numerous and varied, and the Exchange believes that charging separate fees for these separate categories of use is reasonable because it reflects the actual value the customer derives from the data, based upon how the customer makes use of the data.

The Exchange believes that the proposed fees for non-display use other than operation of a Trading Platform is reasonable. These fees are comparable to, and lower than, the fees charged by at least one other exchange of comparable size for a comparable data product,⁷² and significantly less than the amounts charged by several other exchanges for comparable data products.⁷³ The Exchange believes that the proposed fees directly and appropriately reflect the significant value of using data on a non-display basis in a wide range of computer-automated functions relating to both trading and non-trading activities and that the number and range of these functions continue to grow through innovation and technology developments.

⁷¹ See supra notes 24-25.

⁷² See BZX Fee Schedule, available at:
https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

⁷³ See NYSE Proprietary Market Data Pricing list, available at:
https://www.nyse.com/publicdocs/nyse/data/NYSE_Market_Data_Pricing.pdf;
Nasdaq Global Data Products pricing list, available at:
<http://www.nasdaqtrader.com/TraderB.aspx?id=MDDPricingALLN..>

The Exchange also believes, regarding non-display use for operation of a Trading Platform, it is reasonable to charge a higher monthly fee than for other non-display use because such use of the Exchange's data is directly in competition with the Exchange and the Exchange should be permitted to recoup some of its lost trading revenue by charging for the data that makes such competition possible. The Exchange also believes that it is reasonable to charge the proposed fees for non-display use for operation of a Trading Platform because the proposed fees are comparable to, and lower than, the fees charged at least one other exchange of comparable size for a comparable data product,⁷⁴ and significantly less than the amounts charged by several other exchanges for comparable data products, which also charge per Trading Platform operated by a data subscriber subject to a cap in most cases, rather than charging per Firm, as proposed by the Exchange.⁷⁵

The proposed Non-Display Usage fees for the Exchange Data Feeds are also reasonable because they take into account the extra value of receiving the data for Non-Display Usage that includes a rich set of information including top of book quotations, depth-of-book quotations, executions and other information. The Exchange believes that the proposed fees directly and appropriately reflect the significant value of using the MEMOIR Depth feed on a non-display basis in a wide range of computer-automated functions relating to both trading and non-trading activities and that the number and

⁷⁴ See BZX Fee Schedule, available at: https://www.cboe.com/us/equities/membership/fee_schedule/bzx/.

⁷⁵ See supra notes 24-25.

range of these functions continue to grow through innovation and technology developments.⁷⁶

For all of the foregoing reasons, the Exchange believes that the proposed fees for the Exchange Data Feeds are reasonable.

The Proposed Fees Are Equitably Allocated

The Exchange believes the proposed fees for the Exchange Data Feeds are allocated fairly and equitably among the various categories of users of the feeds, and any differences among categories of users are justified and appropriate.

Overall. The Exchange believes that the proposed fees are equitably allocated because they will apply uniformly to all data recipients that choose to subscribe to the Exchange Data Feeds. Any subscriber or vendor that chooses to subscribe to one or more Exchange Data Feeds is subject to the same Fee Schedule, regardless of what type of business they operate, and the decision to subscribe to one or more Exchange Data Feeds is based on objective differences in usage of Exchange Data Feeds among different Firms, which are still ultimately in the control of any particular Firm.

Internal Distribution Fee. The Exchange believes the proposed monthly fees for Internal Distribution of the Exchange Data Feeds are equitably allocated because they

⁷⁶ See also Exchange Act Release No. 69157, March 18, 2013, 78 FR 17946, 17949 (March 25, 2013) (SR-CTA/CQ-2013-01) (“[D]ata feeds have become more valuable, as recipients now use them to perform a far larger array of non-display functions. Some firms even base their business models on the incorporation of data feeds into black boxes and application programming interfaces that apply trading algorithms to the data, but that do not require widespread data access by the firm’s employees. As a result, these firms pay little for data usage beyond access fees, yet their data access and usage is critical to their businesses.”)

would be charged on an equal basis to all data recipients that receive the Exchange Data Feeds for internal distribution, regardless of what type of business they operate.

External Distribution Fees. The Exchange believes the proposed monthly fees for External Distribution of the Exchange Data Feeds are equitably allocated because they would be charged on an equal basis to all data recipients that receive the Exchange Data Feeds that choose to redistribute the feeds externally.

User Fees. The Exchange believes that the fee structure differentiating Professional User fees from Non-Professional User fees for display use of the MEMOIR Depth feed is equitable. This structure has long been used by other exchanges and the SIPs to reduce the price of data to Non-Professional Users and make it more broadly available.⁷⁷ Offering the MEMOIR Depth feed to Non-Professional Users at a lower cost than Professional Users results in greater equity among data recipients. These User fees would be charged uniformly to all individuals that have access to the MEMOIR Depth feed based on the category of User. The Exchange also believes the proposed User fees for MEMOIR Top and MEMOIR Last Sale are equitable because the Exchange has proposed to charge Professional Users and Non-Professional Users the same low rate of \$0.01 per month.

Non-Display Use Fees. The Exchange believes the proposed Non-Display Usage fees are equitably allocated because they would require subscribers to pay fees only for

⁷⁷ See, e.g., Securities Exchange Act Release No. 59544 (March 9, 2009), 74 FR 11162 (March 16, 2009) (SR-NYSE-2008-131) (establishing the \$15 Non-Professional User Fee (Per User) for NYSE OpenBook); Securities Exchange Act Release No. 20002, File No. S7-433 (July 22, 1983), 48 FR 34552 (July 29, 1983) (establishing Non-Professional fees for CTA data); NASDAQ BX Equity 7 Pricing Schedule, Section 123.

the uses they actually make of the data. As noted above, non-display data can be used by data recipients for a wide variety of profit-generating purposes (including trading and order routing) as well as purposes that do not directly generate revenues (such as risk management and compliance) but nonetheless substantially reduce the recipient's costs by automating certain functions. The Exchange believes that it is equitable to charge non-display data subscribers that use data for purposes other than operation of a Trading Platform as proposed because all such subscribers would have the ability to use such data for as many non-display uses as they wish for one low fee. As noted above, this structure is comparable to that in place for the BZX Depth feed but several other exchanges charge multiple non-display fees to the same client to the extent they use a data feed in several different trading platforms or for several types of non-display use.⁷⁸

The Exchange also believes, regarding non-display use for operation of a Trading Platform, it is equitable to charge a higher rate for each Firm operating a Trading Platform (as compared to other Non-Display Usage not by Trading Platforms) because such use of the data is directly in competition with the Exchange and the Exchange should be permitted to recoup some of its lost trading revenue by charging for the data that makes such competition possible. The Exchange believes that it is equitable to charge a single fee per Firm rather than multiple fees for a Firm that operates more than one Trading Platform because operators of Trading Platforms are many times viewed as a single competing venue or group, even if there a multiple liquidity pools operated by the same competitor.

⁷⁸ See supra, notes 24-25.

For all of the foregoing reasons, the Exchange believes that the proposed fees for the Exchange Data Feeds are equitably allocated.

The Proposed Fees Are Not Unfairly Discriminatory

The Exchange believes the proposed fees for the Exchange Data Feeds are not unfairly discriminatory because any differences in the application of the fees are based on meaningful distinctions between customers, and those meaningful distinctions are not unfairly discriminatory between customers.

Overall. The Exchange believes that the proposed fees are not unfairly discriminatory because they would apply to all data recipients that choose to subscribe to the same Exchange Data Feed(s). Any vendor or subscriber that chooses to subscribe to the Exchange Data Feeds is subject to the same Fee Schedule, regardless of what type of business they operate. Because the proposed fees for MEMOIR Depth are higher, vendors and subscribers seeking lower cost options may instead choose to receive data from the SIPs or through the MEMOIR Top and/or MEMOIR Last Sale feed for a lower cost. Alternatively, vendors and subscribers can choose to pay for the MEMOIR Depth feed in order to receive data in a single feed with depth-of-book information or they can choose to subscribe to a combination of data feeds for redundancy purposes or to use such feeds for different purposes, thereby allowing each vendor or subscriber to choose the best business solution for itself.

Internal Distribution Fees. The Exchange believes the proposed monthly fees for Internal Distribution of the Exchange Data Feeds are not unfairly discriminatory because they would be charged on an equal basis to all data recipients that receive the same

Exchange Data Feed(s) for internal distribution, regardless of what type of business they operate.

External Distribution Fees. The Exchange believes the proposed monthly fees for redistributing the Exchange Data Feeds are not unfairly discriminatory because they would be charged on an equal basis to all data recipients that receive the same Exchange Data Feed(s) that choose to redistribute the feed(s) externally.

User Fees. The Exchange believes that the fee structure differentiating Professional User fees from Non-Professional User fees for display use of the MEMOIR Depth feed is not unfairly discriminatory. This structure has long been used by other exchanges and the SIPs to reduce the price of data to Non-Professional Users and make it more broadly available.⁷⁹ Offering the Exchange Data Feeds to Non-Professional Users with the same data as is available to Professional Users results in greater equity among data recipients. These User fees would be charged uniformly to all individuals that have access to the Exchange Data Feeds based on the category of User. The Exchange also believes the proposed User fees for MEMOIR Top and MEMOIR Last Sale are not unfairly discriminatory because the Exchange has proposed to charge Professional Users and Non-Professional Users the same low rate of \$0.01 per month.

Non-Display Use Fees. The Exchange believes the proposed Non-Display Usage fees for the MEMOIR Depth feed are not unfairly discriminatory because they would require subscribers for non-display use to pay fees depending on their use of the data, either for operation of a Trading Platform or not, but would not impose multiple fees to the extent a Firm operates multiple Trading Platforms or has multiple different types of

⁷⁹ See supra note 77.

non-display use. As noted above, non-display data can be used by data recipients for a wide variety of profit-generating purposes as well as purposes that do not directly generate revenues but nonetheless substantially reduce the recipient's costs by automating certain functions. This segmented fee structure is not unfairly discriminatory because no subscriber of non-display data would be charged a fee for a category of use in which it did not actually engage.

The Exchange also believes that, regarding non-display use for operation of a Trading Platform, it is not unreasonably discriminatory to charge a higher fee for each Firm operating a Trading Platform (as compared to other Non-Display Usage not by Trading Platforms) because such use of the data is directly in competition with the Exchange and the Exchange should be permitted to recoup some of its lost trading revenue by charging for the data that makes such competition possible. The Exchange believes that it is not unreasonably discriminatory to charge a single fee for an operator of Trading Platforms that operates more than one Trading Platform because operators of Trading Platforms are many times viewed as a single competing venue or group, even if there a multiple liquidity pools operated by the same competitor.

For all of the foregoing reasons, the Exchange believes that the proposed fees for the Exchange Data Feeds are not unfairly discriminatory.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,⁸⁰ the Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

⁸⁰ 15 U.S.C. 78f(b)(8).

Intra-Market Competition

The Exchange does not believe that the proposed rule change would place certain market participants at the Exchange at a relative disadvantage compared to other market participants or affect the ability of such market participants to compete. In particular, while the Exchange has not officially proposed fees for Exchange Data Feeds until now, Exchange personnel have been informally discussing potential fees for Exchange Data Feeds with a diverse group of market participants that receive data from the Exchange (including large and small firms, trading firms and market data only firms, etc.). The Exchange has received no official complaints from Members, non-Members, or third-parties that redistribute the Exchange Data Feeds, that the Exchange's fees or the proposed fees for Exchange Data Feeds would negatively impact their abilities to compete with other market participants or that they are placed at a disadvantage relative to others. The Exchange does not believe that the proposed fees for Exchange Data Feeds place certain market participants at a relative disadvantage to other market participants because, as noted above, the proposed fees are associated with usage of Exchange Data Feeds by each market participant based on the type of business they operate, and the decision to subscribe to one or more Exchange Data Feeds is based on objective differences in usage of Exchange Data Feeds among different Firms, which are still ultimately in the control of any particular Firm, and such fees do not impose a barrier to entry to smaller participants. Accordingly, the proposed fees for Exchange Data Feeds do not favor certain categories of market participants in a manner that would impose a burden on competition; rather, the allocation of the proposed fees reflects the types of Exchange Data Feeds consumed by various market participants and their usage thereof.

Inter-Market Competition

The Exchange does not believe the proposed fees place an undue burden on competition on other SROs that is not necessary or appropriate. In particular, market participants are not forced to subscribe to any of the Exchange Data Feeds, as described above. Additionally, other exchanges have similar market data fees in place for their participants, but with higher rates to connect.⁸¹ The Exchange is also unaware of any assertion that the proposed fees for Exchange Data Feeds would somehow unduly impair its competition with other exchanges.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁸² and Rule 19b-4(f)(2)⁸³ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

⁸¹ See supra notes 24-25; see also, supra note 27 and accompanying text.

⁸² 15 U.S.C. 78s(b)(3)(A)(ii).

⁸³ 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MEMX-2022-03 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MEMX-2022-03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MEMX-2022-03 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸⁴

J. Matthew DeLesDernier,

Assistant Secretary.

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⁸⁴ 17 CFR 200.30-3(a)(12).